- Determine an annual OPEB cost called an **Annual Required Contribution (ARC)** comprised of the normal cost plus one year's amortization of the UAAL for benefits already earned but not funded. The normal cost is the cost to fund the amount of future benefits earned by active employees in the current year;

- Determine an annual **Net OPEB Obligation (NOO)** which reflects a net amount that is the cumulative difference between the annual expense determined by the ARC plus adjustments for any over/under funding made in prior years plus investment returns. This number is designed to reflect over time the progress in accumulating assets to offset the UAAL. The NOO captures the difference in the benefit costs under the new standards and the amount funded by a public employer;

- Disclose in government-wide financial statements an annual net OPEB expense to the entity's income statement, and if not funded, record to the balance sheet any accumulated OPEB liabilities (unless deemed a cost-sharing multiple employer arrangement);

- Government-wide financial statements must also include detailed notes and required supplementary information including but not limited to a public employer's annual net OPEB liability, detailed plan information including changes to the benefit plan between required valuations, actuarial methods used to measure the State's net OPEB liability, historical information on employer contributions and funding progress towards asset accumulation, discount rates assumed, and other descriptive information regarding the State's OPEB obligations;[14]

- Secure subsequent OPEB actuarial valuations at least every two years;

- Recognize in the OPEB actuarial valuation cost methodology any implicit subsidies that exist in providing coverage to retired employees; and

- Establish a dedicated qualified trust fund, not subject to action by creditors, to accumulate assets and pay required premiums for retired employee health benefit coverage; and, if benefits are pre-funded, to be able to assume a typically higher long-term investment rate of return on accumulating assets.

There are many requirements to the GASB OPEB standards that go beyond those summarized above. These other detailed requirements deal with many of the intricacies of how the actuarial valuations for OPEB plans are conducted as well as differences in how employers may be classified in terms of revenue, consolidated plans, various requirements for what is reported in a government-wide financial statement, etc. For discussion purposes those detailed requirements go beyond the scope of this fiscal brief, which is intended to summarize the more remarkable issues.

Effective Date of Standards

Public Employer Revenues	Effective Date
$100 million +	First Plan Year after December 15, 2006
$10 - $100 million	First Plan Year after December 15, 2007
<$10 million	First Plan Year after December 15, 2008

The State's OPEB Actuarial Valuation Results for Calendar Year 2005

Aon Consulting, the consulting actuary for the Teachers' and State Employees' Comprehensive Major Medical Plan (State Health Plan), issued an actuarial valuation of the State's OPEB liabilities for projected total retired employee healthcare benefits per the standards set forth in GASB Statement Nos. 43 & 45. This actuarial valuation estimates that the State has an UAAL of $23.786 billion for total projected benefits for the calendar year period ending December 31, 2005.

This number represents the $23.925 billion present value estimate of total OPEB liability for health benefit coverage earned by current retired employees, current active employees, and inactive former employees eligible to retire at some point in the future minus approximately $139.175 million in current assets as of the valuation date.